

Message Text

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PAGE 01 KARACH 00799 061402Z

47

ACTION NEA-09

INFO OCT-01 ISO-00 OMB-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AGR-05 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 FAA-00 DOTE-00

STR-04 CEA-01 /091 W

----- 037808

R 060749Z MAY 75

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 8825

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMCONSUL LAHORE

AMCONSUL MADRAS

AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ETRC, IN, PK

SUBJECT: DEVELOPMENT OF TRADING AND OTHER RELATIONS WITH INDIA --
THE VIEW FROM KARACHI

REF: ISLAMABAD 1129; NEW DELHI 1397

SUMMARY: CHAIRMAN TRADING CORPORATION OF PAKISTAN (TCP) TAKES
RATHER OPTIMISTIC VIEW CONCERNING DEVELOPMENT TRADE WITH INDIA
OVER MEDIUM TERM, ALTHOUGH HE BELIEVES PAKISTAN WILL NOT BE ABLE
TO IMPORT GOODS THIS YEAR UP TO VALUE OF 200,000 TONS OF RAW
COTTON, WORTH BETWEEN \$20-25 MILLION, WHICH PAKISTAN WILL EXPORT
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PAGE 02 KARACH 00799 061402Z

TO INDIA. HE BELIEVES POTENTIAL FOR IMPORTS AT THIS LEVEL WILL BE

GREATER WHEN TCP RUNS DOWN PRESENT METALS INVENTORIES AND WITH OPENING OF RAIL LINK THROUGH PUNJAB WHICH HE FORESEES AS GOOD POSSIBILITY FOLLOWING RESUMPTION AVIATION LINKS. END SUMMARY.

1. FOLLOWING RETURN FROM INDIA ON APRIL 30 FROM HIS 8-DAY VISIT AS LEADER OF 10-MAN PAK TRADE DELEGATION, TCP CHAIRMAN IZHARUL HAQUE, WAS QUITE OPTIMISTIC CONCERNING FUTURE COURSE INDO-PAK TRADE RELATIONS DURING TALK WITH DPO. HAQUE CONFIRMED CONTENTS PRESS RELEASES TO EFFECT THAT COAL, COKE, PIG IRON AND BIDI LEAVES (FOR INDIGENOUS CIGARETTE MANUFACTURE) WERE ITEMS FIXED ON FOR IMPORT FROM INDIA, AND THAT INDIA APPEARED TO HAVE SUFFICIENT COAL TO MAINTAIN EXPORTS. UNFORTUNATELY, OWING TCP'S OWN LARGE INVENTORIES, TCP NOT IN POSITION IMPORT STEEL BILLETS FOR NEXT SIX MONTHS OR SO, BUT WILL IMPORT 5,000 TONS OF PIG IRON, WORTH ABOUT \$1 MILLION. HAQUE FORESAW POSSIBILITY SIGNIFICANT IMPORTS STEEL AND PIG IRON AND INCREASING IMPORTS COAL AND METALURGICAL COKE OVER NEXT YEAR, PARTICULARLY IF RAIL CONNECTIONS REOPENED ACROSS PUNJAB BORDER. RAIL TRANSPORTATION, HE BELIEVED, WOULD RESULT IN SIGNIFICANT SAVINGS OVER MARINE TRANSPORTATION IN CAZE COAL AND COKE TRANSPORT AND RENDER TRADE WITH INDIA MUCH MORE ATTRACTIVE, PARTICULARLY SINCE IMPORTS WOULD NOT HAVE TO BE FUNNELED THROUGH CONGESTED PORT OF KARACHI AND THEN OVER LONG UPCOUNTRY RAIL LINES.

2. TCP PLANS IMPORT SOME INDIAN TEA, FOR CONSUMPTION BY ARMED FORCES AND OTHER GOVERNMENT ORGANIZATIONS ONLY, SINCE PRIVATE SECTOR FIRMS WISH CONTINUE BLENDING FOR SALE FROM THEIR OWN SOURCES. HAQUE ALSO SEES POSSIBILITIES FOR IMPORT OF INDIAN JUTE BAGS IN FUTURE ALTHOUGH THIS ITEM NOT ON IMPORT LIST AS RESULT OF LATEST MEETING, APPARENTLY OWING DIFFICULTIES ON INDIAN SIDE.

3. QUESTION OF IMPORT OF ENGINEERING GOODS MENTIONED IN PRESS RELEASES AS "UNDER STUDY" WAS QUITE SENSITIVE, SINCE IMPORTS WHICH DIRECTLY COMPETED WITH GOODS MADE IN PAKISTAN BOUND TO RAISE OBJECTIONS FROM PRIVATE SECTOR. HENCE RANGE OF ITEMS IN THIS CATEGORY TO BE IMPORTED NOT YET FIXED. HAQUE GAVE NO SPECIFICS ON THIS SUBJECT EXCEPT TO SAY THAT PROBLEM MIGHT BE SOLVED BY IMPORTING COMPONENT PARTS FROM INDIA FOR USE IN PAK PUBLIC SECTOR INDUSTRIES.

4. ON WHOLE QUESTION OF EVOLVING PAK-INDIA RELATIONS, HAQUE WAS LIMITED OFFICIAL USE

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PAGE 03 KARACH 00799 061402Z

ALSO OPTIMISTIC. HE POINTED TO FACT THAT FOREIGN SECRETARY AGHA SHAHI WILL LEAD AVIATION TALKS STARTING MAY 15, AT DELHI RATHER THAN LOWER LEVEL DIRECTOR GENERAL CIVIL AVIATION, AS INDICATIVE THAT POLITICAL DECISION HAS BEEN MADE THAT TALKS SHOULD SUCCEED IN SPITE OF PREVIOUSLY REPORTED DIFFERENCES WHICH HAVE SO FAR KEPT SIDES APART. HAQUE FORESAW OPENING OF RAIL LINK AS LOGICAL NEXT STEP IN EVOLVING ECONOMIC RELATIONS FOLLOWING AVIATION AGREEMENT.

5. COMMENT: ALTHOUGH A GOVERNMENT CIVIL SERVANT, HAQUE IN HIS VIEWS, NO DOUBT TO SOME EXTENT, REFLECTS ATTITUDES OF KARACHI BUSINESS COMMUNITY WHICH WELCOMES RESUMPTION TRADE WITH INDIA OWING TO COMMERCIAL ADVANTAGES INHERENT THEREIN. ALTHOUGH TRADE WILL BE CARRIED ON THROUGH RESPECTIVE STATE TRADING ORGANIZATIONS OF PAKISTAN AND INDIA, THIS DOES NOT MEAN THAT MARKET FOR GOODS ON EITHER SIDE WILL BE LIMITED TO GOVERNMENT ORGANIZATIONS. TCP HERE HAS VIRTUAL MONOPOLY OVER BASIC METAL IMPORTS BUT SELLS TO ENTIRE PRIVATE SECTOR.
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